

# IMESS DISSERTATION

**Note: Please email the completed mark sheet to Year 2 coordinator (cc Chiara Amini [chiara.amini@ucl.ac.uk](mailto:chiara.amini@ucl.ac.uk) and fiona.rushworth@ucl.ac.uk)**

Please note that IMESS students are not required to use a particular set of methods (e.g. qualitative, quantitative, or comparative) in their dissertation.

<b>Student:</b>	Jiamin Cheng
<b>Dissertation title:</b>	The impact of the macroeconomy and the parent bank on the credit risk of subsidiaries of foreign banks: Evidence from CEE countries

	70+	69-65	60-61	59-55	54-50	<50
	A	B	C	D	E	F
<b>Knowledge</b> <i>Knowledge of problems involved, e.g. historical and social context, specialist literature on the topic. Evidence of capacity to gather information through a wide and appropriate range of reading, and to digest and process knowledge.</i>	x					
<b>Analysis &amp; Interpretation</b> <i>Demonstrates a clear grasp of concepts. Application of appropriate methodology and understanding; willingness to apply an independent approach or interpretation recognition of alternative interpretations; Use of precise terminology and avoidance of ambiguity; avoidance of excessive generalisations or gross oversimplifications.</i>	x					
<b>Structure &amp; Argument</b> <i>Demonstrates ability to structure work with clarity, relevance and coherence. Ability to argue a case; clear evidence of analysis and logical thought; recognition of an argument's limitation or alternative views; Ability to use other evidence to support arguments and structure appropriately.</i>	x					
<b>Presentation &amp; Documentation</b> <i>Accurate and consistently presented footnotes and bibliographic references; accuracy of grammar and spelling; correct and clear presentation of charts/graphs/tables or other data. Appropriate and correct referencing throughout. Correct and contextually correct handling of quotations.</i>		x				
<b>Methodology</b> <i>Understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research.</i>	x					

ECTS	A	<b>Charles Mark:</b>	A/75	<b>Marker:</b>	Jaromír Baxa, IES FSV UK
<i>Deducted for late submission:</i>			No	<b>Signed:</b>	
<i>Deducted for inadequate referencing:</i>			No	<b>Date:</b>	September 15, 2021

## MARKING GUIDELINES

**A (UCL mark 70+) = A (Charles mark 91-100 - excellent):** Note: marks of over 80 are given rarely and only for truly exceptional pieces of work.  
Distinctively sophisticated and focused analysis, critical use of sources and insightful interpretation. Comprehensive understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research.

**B (UCL mark 69-65) = B (Charles mark 81-90 - very good)**  
**C (UCL mark 64-60) = C (Charles mark 71-80 - good):** A high level of analysis, critical use of sources and insightful interpretation. Good understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research. 65 or over equates to a B grade.

**D (UCL mark 59-55) = D (Charles mark 61-70 - satisfactory)**  
**E (UCL mark 54-50) = E (Charles mark 51-60 - sufficient):** Demonstration of a critical use of sources and ability to engage in systematic inquiry. An ability to engage in sustained research work, demonstrating methodological awareness. 55 or over equates to a D grade.

**F (UCL mark less than 50) = F (Charles mark 0-50 - insufficient):** Demonstrates failure to use sources and an inadequate ability to engage in systematic inquiry. Inadequate evidence of ability to engage in sustained research work and poor understanding of appropriate research techniques.

## Please provide substantive and detailed feedback!

### Comments, explaining strengths and weaknesses (at least 300 words):

This thesis addresses the impact of foreign banks' performance on the stability on its branches and subsidiaries in the CEE region. I find this topic interesting and relevant for regulators, although I don't have any clear idea how the findings can affect the conduct of bank supervision and regulation policies. The main findings imply that the channels and drivers of risk – measured by the share of the non-performing loans – depend on the legal status of foreign-owned bank, being either subsidiary or branch. Moreover, the parent banks' characteristics seem to be better predictor of risk-taking behavior taken by the domestic bank than their own performance indicators.

The impact of foreign parent bank on its bank or subsidiary is identified by panel regression, thus, the findings are based on correlation rather than causal analysis. The analysis is done correctly, at least up to my knowledge. I appreciate the attempt to deal with potential endogeneity and the famous Nickel bias by adopting the GMM estimator, along with the traditional fixed-effect model.

The author has provided a comprehensive literature review and a description of the role of the foreign banks in the banking sectors of the CEE countries, and the differences between individual countries are reasonably well captured. The data were collected from the Bankscope database. The subsequent analysis is standard and corresponds to the level to be expected at MA studies of economics.

Somewhat weaker is writing style, there appear occasional grammar errors and non-academic formulations from time to time, however the amount of such errors is still acceptable. The text remains readable. Furthermore, the Introduction is somewhat too extensive, given the fact that its ambition was not to replace the dedicated literature review. More brevity would help to gain the reader's attention.

Let me also recommend the author to check the manual to GMM by David Roodman, *Stata Journal*, 2009, on some non-trivial problems with the implementation of the GMM, in particular about the problem of *too many* instruments and biases in the Hansen statistics. In general, the p-value of the Hansen test statistics above 0.5 usually signs to some bias in the results, but more extreme cases appear quite often in the literature, and the results in this thesis are at still somewhat acceptable territory. I'd like to highlight that these peculiarities are usually beyond the level of skills expected from a MA student's final thesis, but it's good to know that they do exist.

Overall, Jiamin Cheng delivered an interesting thesis, which forms an original contribution to the literature.

### Specific questions you would like addressing at the oral defence (at least 2 questions):

1. Equations 1 and 2 – are the residuals autocorrelated or not? If yes, what would be the implication for the validity of the results?
2. Is there any way how to formulate some policy implications for bank regulation?
3. Do you think that with more banks retained in the sample the results would remain the same? What's your guess?